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SINOPEC KANTONS HOLDINGS LIMITED

(中 石 化 冠 德 控 股 有 限 公 司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 934)

**CONNECTED TRANSACTION
THE VALVE ROOMS RECONSTRUCTION PROJECT**

The Board announces that on 25 March 2020, Yu Ji Pipeline Company and Sinopec Henan Petroleum Engineering & Construction entered into the Reconstruction Agreement in relation to the Valve Rooms Reconstruction Project.

As at the date of this announcement, Yu Ji Pipeline Company is an indirect wholly-owned subsidiary of the Company. The Company is non-wholly owned by SKI, which holds approximately 60.33% of the issued share capital of the Company. On the same day, Sinopec Henan Petroleum Engineering & Construction is an indirect subsidiary of Sinopec Group Company. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI. Accordingly, Sinopec Henan Petroleum Engineering & Construction is an associate of SKI and a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Reconstruction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Valve Rooms Reconstruction Project exceeds 0.1% but all are less than 5%, the Valve Rooms Reconstruction Project is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 25 March 2020, Yu Ji Pipeline Company and Sinopec Henan Petroleum Engineering & Construction entered into the Reconstruction Agreement, principal terms of which are set out below.

THE RECONSTRUCTION AGREEMENT

Date

25 March 2020

Parties

- (i) Yu Ji Pipeline Company, as purchaser; and
- (ii) Sinopec Henan Petroleum Engineering & Construction, as service provider.

Services to be provided

Pursuant to the Reconstruction Agreement, Sinopec Henan Petroleum Engineering & Construction agreed to provide reconstruction services to the 15 valve rooms along the Yulin-Jinan Pipeline, including installing upgraded valves and electrical connection, adopting solar power system, conducting trial operation and testing of the relevant systems, and remedying any defects thereof.

Term

Pursuant to the Reconstruction Agreement, Sinopec Henan Petroleum Engineering & Construction agreed to complete the Valve Rooms Reconstruction Project on or before 31 December 2020, or such later date as may be agreed between Yu Ji Pipeline Company and Sinopec Henan Petroleum Engineering & Construction.

Pricing Basis and Payment Terms

Pursuant to the policies of the Group, to ensure that the tender prices and terms are on normal commercial terms, supplier for the Valve Rooms Reconstruction Project is selected by way of open tender. Yu Ji Pipeline Company generally solicits bids from at least three suppliers through tender procedures in compliance with the relevant local regulations. In determining the successful bidder in an open tender, Yu Ji Pipeline Company will take into account factors including: (a) terms of the tender proposals submitted by the bidders, including tender prices, discount rates (if applicable) and provision of performance guarantees; (b) backgrounds, qualifications, experience, reputation and financial position of the bidders; (c) track records and historical business relationships between Yu Ji Pipeline Company and the bidders; and (d) Yu Ji Pipeline Company's financial budget, including the price list of Yu Ji Pipeline Company for valve rooms reconstruction works and related services.

The maximum service fees of the Valve Rooms Reconstruction Project is estimated to be approximately RMB7 million. Pursuant to the Reconstruction Agreement, the successful bid price submitted by Sinopec Henan Petroleum Engineering & Construction during the course of the open tender shall be the final service fees of the Valve Rooms Reconstruction Project. The service fees shall be paid in the following manner:

- (i) after commencement of works for the Valve Rooms Reconstruction Project, Yu Ji Pipeline Company shall make progress payment of not exceeding 80% of the value of work completed during each particular period to Sinopec Henan Petroleum Engineering & Construction until the aggregate payment reaches not more than 80% of the total service fees;
- (ii) upon completion of the Valve Rooms Reconstruction Project and the passing of relevant completion inspection of the works delivered, Yu Ji Pipeline Company shall make further payment to Sinopec Henan Petroleum Engineering & Construction to bring the aggregate payment to 97% of the total service fees.
- (iii) the amount equal to 3% of the total service fees (the “**Retention Monies**”) shall be retained by Yu Ji Pipeline Company as security for post-completion repairs. Yu Ji Pipeline Company shall pay Sinopec Henan Petroleum Engineering & Construction the Retention Monies (without interest), after deducting repair costs incurred, if any, upon the passing of all relevant post-completion quality inspection and testing.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Yulin-Jinan Pipeline, which is designed solely for natural gas transmission, is the core principal asset of Yu Ji Pipeline Company. The reconstruction of the 15 valve rooms along the Yulin-Jinan Pipeline will ensure safe, steady and efficient operation of the Yulin-Jinan Pipeline, which will as a result further improve the profitability and economic efficiency of the Yulin-Jinan Pipeline.

In view of the experience, expertise and professional personnel of Sinopec Henan Petroleum Engineering & Construction, the engagement of Sinopec Henan Petroleum Engineering & Construction in the Reconstruction Project will help ensure the timely execution and delivery of the Reconstruction Project as well as safeguard the quality of the Reconstruction Project.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yu Ji Pipeline Company is an indirect wholly-owned subsidiary of the Company. The Company is non-wholly owned by SKI, which holds approximately 60.33% of the issued share capital of the Company. On the same day, Sinopec Henan Petroleum Engineering & Construction is an indirect subsidiary of Sinopec Group Company. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI. Accordingly, Sinopec Henan Petroleum Engineering & Construction is an associate of SKI and a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Reconstruction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Valve Rooms Reconstruction Project exceeds 0.1% but all are less than 5%, the Valve Rooms Reconstruction Project is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

Mr. Chen Yaohuan, Mr. Xiang Xiwen, Mr. Dai Liqi, Mr. Li Jianxin and Mr. Wang Guotao, the executive Directors, hold executive posts in Sinopec Group other than the Group. To avoid any potential conflict of interests, they have abstained from voting on the board resolutions for approving the Reconstruction Agreement and the transactions contemplated thereunder.

THE DIRECTORS' VIEWS

The Directors (including the independent non-executive Directors) are of the view that the Reconstruction Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group on arm's length basis, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the factors stated in this announcement.

INFORMATION OF YU JI PIPELINE COMPANY, THE GROUP AND SINOPEC HENAN PETROLEUM ENGINEERING & CONSTRUCTION

Yu Ji Pipeline Company is an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and is principally engaged in provision of natural gas pipeline transmission services.

The Company, a non-wholly owned subsidiary of SKI, was incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. The principal activities of the Group include, among others, the provision of natural gas pipeline transmission services, the operation of crude oil and oil products terminals and their ancillary facilities and the provision of logistics services including storage, logistics, transportation and terminal services on a global basis.

Sinopec Henan Petroleum Engineering & Construction is principally engaged in petrochemical construction, pipeline construction and technical development and electronic and intelligent construction. As at the date of this announcement, Sinopec Henan Petroleum Engineering & Construction is an indirect subsidiary of Sinopec Group Company. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Sinopec Kantons Holdings Limited (中石化冠德控股有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference purposes (unless otherwise indicated) excludes Taiwan, Macau and Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Reconstruction Agreement”	the reconstruction agreement dated 25 March 2020 entered into between Yu Ji Pipeline Company and Sinopec Henan Petroleum Engineering & Construction in relation to the Valve Rooms Reconstruction Project
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Sinopec Corp.”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司)(stock code: 386), a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the stock exchanges of Hong Kong, Shanghai, New York and London, the indirect controlling shareholder of the Company (and hence Yu Ji Pipeline Company) holding approximately 60.33% of the issued share capital of the Company

“Sinopec Group”	Sinopec Group Company, its subsidiaries and its associated companies and affiliates, including the Group
“Sinopec Group Company”	China Petrochemical Corporation (中國石油化工集團有限公司, formerly known as 中國石油化工總公司), an enterprise established under the laws of the PRC, being the controlling shareholder of Sinopec Corp. (by virtue of its holding of approximately 68.31% in the issued share capital in Sinopec Corp.), and the ultimate controlling shareholder of the Company (by virtue of Sinopec Corp.’s indirect holding of approximately 60.33% in the issued share capital of the Company) and Sinopec Henan Petroleum Engineering & Construction (by virtue of Sinopec Group Company’s direct holding of approximately 56.51% in the issued share capital of Sinopec Oilfield Service Corporation)
“Sinopec Oilfield Service Corporation”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed on the Shanghai Stock Exchange and its H shares are listed on the Main Board of the Stock Exchange (Stock Code: 1033)
“Sinopec Henan Petroleum Engineering & Construction”	中石化河南油建工程有限公司 (Sinopec Petroleum Engineering & Construction Henan Corporation**), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Sinopec Oilfield Service Corporation
“SKI”	Sinopec Kantons International Limited, a company incorporated with limited liability in the British Virgin Islands, being the controlling Shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Valve Rooms Reconstruction Project”	the project in relation to the reconstruction of the 15 valve rooms along the Yulin-Jinan Pipeline contemplated under the Reconstruction Agreement

“Yu Ji Pipeline Company” 中石化榆濟管道有限責任公司(Sinopec Yu Ji Pipeline Company Limited**), a limited liability company incorporated in the PRC which owns Yulin-Jinan Pipeline and is a wholly-owned subsidiary of the Company, with Sinopec Group Company being its ultimate holding company

“Yulin-Jinan Pipeline” Yulin, Shaanxi Province to Jinan, Shandong Province natural gas transmission pipelines, which pass through four provinces including Shaanxi Province, Shanxi Province, Henan Province and Shandong Province, the PRC, and the ancillary facilities

** The English translation of the names of companies incorporated or established in the PRC referred to in this announcement is for reference only. The official names of those companies are in Chinese.

By order of the Board
Sinopec Kantons Holdings Limited
Chen Yaohuan
Chairman

Hong Kong, 25 March 2020

As at the date of this announcement, the Board comprises the following:

Executive Directors:

Mr. Chen Yaohuan (*Chairman*)
Mr. Xiang Xiwen (*Deputy Chairman*)
Mr. Dai Liqi
Mr. Li Jianxin
Mr. Wang Guotao
Mr. Ye Zhijun (*Managing Director*)

Independent non-executive Directors:

Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla

* *For identification purposes only*